

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

DEPARTMENTAL REGULATION		Number: 2230-001
SUBJECT: Reviews of Unliquidated Obligations	DATE: April 17, 2002	
	OPI: Office of Associate Chief Financial Officer-Policy and Planning	

1 PURPOSE

This regulation prescribes policies and procedures for periodically reviewing and certifying unliquidated obligations.

Periodic reviews of unliquidated obligations are necessary to properly report obligation balances, certify the validity of obligated balances, make funds available that otherwise would not be used, reduce the risk of misuse and theft of funds, and improve the Treasury Department's ability to forecast outlay and borrowing needs.

2 CANCELLATIONS

This directive is a revision of DR 2230-001 and cancels DR 2230-001, dated January 23, 1984.

3 POLICIES

- a The Chief Financial Officer, or equivalent, for each agency must coordinate semiannual reviews of unliquidated obligations between program, contracting, and financial personnel for the periods ending March 31 and September 30.
- b Program and/or contracting personnel will determine if unliquidated obligations may be deobligated and provide a written notification to financial personnel.
- c Financial personnel will deobligate unliquidated obligations, based on written notification from program and/or contracting personnel.

- d The Chief Financial Officer, or equivalent, for each agency must provide annual certification that semiannual reviews were performed and unliquidated obligations existing at fiscal year-end are valid based on the reviews.
- e The Office of Associate Chief Financial Officer - Financial Operations will monitor agency compliance with this regulation through yearly inspections.

4 DEFINITIONS

- a Unliquidated Obligations. The amount of a financial obligation not yet expended.
- b Deobligation. The cancellation or downward adjustment of a previously recorded obligation.

5 PROCEDURES

- a Identification. Financial personnel will identify unliquidated obligations, inactive for at least 12 months, from reports generated from the accounting system by fiscal year. All inactive unliquidated obligations over two years old must be selected for review. A dollar majority of inactive unliquidated obligations less than two years old must be selected for review based on a sample.
- b Notification. Financial personnel will notify program and contracting personnel of unliquidated obligations selected for review in writing, and request a written notification on their validity. A standard form letter should be used for this purpose.
- c Determination. Program and contracting personnel will review unliquidated obligations selected to determine whether delivery of goods or services or performance is expected to occur:
 - (1) Program and contracting personnel must consider, if applicable:
 - (a) The period of fund availability;

- (b) The timeliness of delivery or performance;
 - (c) The completeness and accuracy of information provided by grant or loan recipients;
 - (d) Whether funds have been expended consistent with the percentage of completion;
 - (e) Whether remaining funds are sufficient to complete the order in accordance with the specifications;
 - (f) Justifications for amendments to funding levels;
 - (g) Supplemental loans, grants, etc.;
 - (h) Reasons for lack of activity, such as litigation or delay in contract closeout;
 - (i) Any provisions of the agreement or contract that may permit or prohibit deobligation or reprogramming; and
 - (j) Any other relevant factors, when making a determination.
- (2) The review should disclose unliquidated obligations for projects:
- (a) That do not have a legal basis, or are not properly authorized and supported by appropriate documentation;
 - (b) Which have been completed and have not been closed out; and
 - (c) Under which no future expenditures are expected.

Once a determination is made that an unliquidated obligation can be deobligated, program and/or contracting personnel will notify financial personnel in writing.

- d Deobligation. Financial personnel will cancel or adjust unliquidated obligations in the accounting system based on the written notification from program and/or contracting personnel.

- e Certification. The Chief Financial Officer, or equivalent, for each agency must submit a certification to the Office of Associate Chief Financial Officer - Financial Operations by November 30 each year, stating

"I hereby certify that semiannual reviews of unliquidated obligations were performed in accordance with Departmental Regulation 2230-001, and that the unliquidated obligations existing at fiscal year-end are valid based on the reviews."

- f Retention. Financial personnel must retain reports, records, and certifications of unliquidated obligations reviewed for audit purposes.

6 INQUIRIES

Inquiries should be directed to the Office of Associate Chief Financial Officer - Policy and Planning at (202) 720-7975.

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